

# House Study Bill 188

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
COMMERCE, REGULATION AND LABOR  
BILL BY CHAIRPERSON JENKINS)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the investment of public funds by the  
2 treasurer of state, state agencies, and political subdivisions  
3 including the investment of public funds not covered by  
4 federal deposit insurance in certificates of deposit.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 1917HC 81  
7 kk/pj/5

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1 1 Section 1. Section 12B.10, subsection 1, unnumbered  
1 2 paragraph 2, Code 2005, is amended to read as follows:  
1 3 The treasurer of state and the treasurer of each political  
1 4 subdivision shall at all times keep funds coming into their  
1 5 possession as public money in a vault or safe to be provided  
1 6 for that purpose or in one or more depositories approved  
1 7 pursuant to chapter 12C. However, the treasurer of state,  
1 8 ~~state agencies authorized to invest public funds, and the~~  
1 9 ~~treasurer of each political subdivision subdivisions~~ shall  
1 10 invest, unless otherwise provided, any public funds not  
1 11 currently needed in investments authorized by this section.  
1 12 Sec. 2. Section 12B.10, subsection 4, Code 2005, is  
1 13 amended by adding the following new paragraph:  
1 14 NEW PARAGRAPH. h. Investments authorized under subsection  
1 15 7.  
1 16 Sec. 3. Section 12B.10, subsection 5, Code 2005, is  
1 17 amended by adding the following new paragraph:  
1 18 NEW PARAGRAPH. i. Investments authorized under subsection  
1 19 7.  
1 20 Sec. 4. Section 12B.10, Code 2005, is amended by adding  
1 21 the following new subsections:  
1 22 NEW SUBSECTION. 7. Notwithstanding sections 12C.2, 12C.4,  
1 23 12C.6, 12C.6A, and any other provision of law relating to the  
1 24 deposits of public funds, if public funds are deposited in a  
1 25 depository, as defined in section 12C.1, any uninsured portion  
1 26 of the public funds invested through the depository may be  
1 27 invested in certificates of deposit arranged by the depository  
1 28 that are issued by one or more federally insured banks or  
1 29 savings associations regardless of location for the account of  
1 30 the public funds depositor if all of the following  
1 31 requirements are satisfied:  
1 32 a. The full amount of the principal and any accrued  
1 33 interest of each certificate of deposit issued shall be  
1 34 covered by federal deposit insurance.  
1 35 b. The depository, either directly or through an agent or  
2 1 subcustodian, shall act as custodian of the certificates of  
2 2 deposit.  
2 3 c. The day the certificates of deposit are issued, the  
2 4 depository shall have received deposits in an amount eligible  
2 5 for federal deposit insurance from, and issued certificates of  
2 6 deposit to, customers of other financial institutions wherever  
2 7 located that are equal to or greater than the amount of public  
2 8 funds invested under this subsection by the public funds  
2 9 depositor through the depository.  
2 10 NEW SUBSECTION. 8. As used in this section, "public  
2 11 funds" means the same as defined in section 12C.1, subsection  
2 12 2.  
2 13 Sec. 5. Section 12C.22, subsection 2, unnumbered paragraph  
2 14 1, Code 2005, is amended to read as follows:  
2 15 The amount of the collateral required to be pledged by a  
2 16 bank shall at all times equal or exceed the total of the

2 17 amount by which the public funds deposits in the bank exceeds  
2 18 the total capital of the bank. For purposes of this section,  
2 19 deposits that comply with section 12B.10, subsection 7, that  
2 20 are evidenced either by one or more certificates of deposit,  
2 21 or one or more orders for the next business day settlement and  
2 22 issuance of certificates of deposit, by a federally insured  
2 23 bank or savings association other than the depository, shall  
2 24 not be deemed public fund deposits in the bank or savings  
2 25 association. For purposes of this chapter, unless the context  
2 26 otherwise requires, "total capital of the bank" means its tier  
2 27 one capital plus both of the following components of tier two  
2 28 capital:

2 29 Sec. 6. Section 12C.23A, subsection 3, paragraph d, Code  
2 30 2005, is amended to read as follows:

2 31 d. If the loss of public funds is not covered by federal  
2 32 deposit insurance and the proceeds of the closed bank's assets  
2 33 that are liquidated within thirty days of the closing of the  
2 34 bank are not sufficient to cover the loss, then any further  
2 35 payments to cover the loss will come from the state sinking  
3 1 fund for public deposits in banks. If the balance in that  
3 2 sinking fund is inadequate to pay the entire loss, then the  
3 3 treasurer shall obtain the additional amount needed by making  
3 4 an assessment against other banks whose public funds deposits  
3 5 exceed federal deposit insurance coverage. A bank's  
3 6 assessment shall be determined by multiplying the total amount  
3 7 of the remaining loss to all public depositors in the closed  
3 8 bank by a percentage that represents the assessed bank's  
3 9 proportional share of the total of uninsured public funds  
3 10 deposits held by all banks and all branches of out-of-state  
3 11 banks, based upon the average of the uninsured public funds of  
3 12 the assessed bank or branch of an out-of-state bank as of the  
3 13 end of the four calendar quarters prior to the date of closing  
3 14 of the closed bank and the average of the uninsured public  
3 15 funds in all banks and branches of out-of-state banks as of  
3 16 the end of the four calendar quarters prior to the date of  
3 17 closing of the closed bank, excluding the amount of uninsured  
3 18 public funds held by the closed bank at the end of the four  
3 19 calendar quarters. Each bank shall pay its assessment to the  
3 20 treasurer of state within three business days after it  
3 21 receives notice of assessment. For purposes of this section,  
3 22 when calculating uninsured public funds, a bank shall include  
3 23 all deposits of customers of other financial institutions as  
3 24 permitted by section 12B.10, subsection 7.

3 25 EXPLANATION

3 26 This bill relates to the investment of public funds by the  
3 27 treasurer of state, state agencies, and public subdivisions by  
3 28 permitting public funds that are deposited in a depository and  
3 29 are not covered by federal deposit insurance to be invested in  
3 30 certificates of deposit issued by one or more federally  
3 31 insured banks or savings associations, whether or not located  
3 32 in this state. The bill requires that the principal and  
3 33 accrued interest of each such certificate of deposit be  
3 34 covered by federal deposit insurance and that the depository  
3 35 act as custodian of the certificates of deposit. The bill  
4 1 also requires that on the day the certificates of deposit are  
4 2 issued to the public funds depository, the depository must  
4 3 receive in deposits amounts eligible for federal deposit  
4 4 insurance from, and must issue certificates of deposit to,  
4 5 customers of other financial institutions, that are equal to  
4 6 or greater than the amount of public funds initially deposited  
4 7 by the public funds depository at the depository.

4 8 The bill provides that certificates of deposit for public  
4 9 funds issued by financial institutions other than the  
4 10 depository, or one or more orders for the next business day  
4 11 settlement and issuance of such certificates of deposit that  
4 12 cover the uninsured portion of the public funds initially  
4 13 deposited by the public funds depository, shall not be  
4 14 considered public funds deposits in the depository for  
4 15 purposes of calculating the amount of collateral the  
4 16 depository is required to pledge under Code section 12C.22.

4 17 The bill provides that when calculating uninsured public  
4 18 funds to determine the amount of an assessment pursuant to  
4 19 Code section 12C.23A, a bank shall include all deposits from  
4 20 customers of other financial institutions as authorized under  
4 21 Code section 12B.10, new subsection 7.

4 22 LSB 1917HC 81

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